FINANCIAL Literacy LESSONS

# THE FINANCIAL LITERACY TEACHER NEWSLETTER

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## FINANCIAL LITERACY IN THE U.S.


Better grab a hanky because the stats will make you weep. The 2016 National Capability Study conducted by the Financial Industry Regulatory Authority (FINRA) found that, in 2015:

- Two-thirds of Americans couldn't pass a basic financial literacy test
- 22% of Americans have been contacted by a debt collection agency in the last year
- 18% of Americans spend more than they make
- 50% of survey respondents had no emergency savings
- 32% of survey respondents paid only the minimum payment due on their credit cards

According to the Financial Educators Council, 1 in 4 people reported losses of over $30,000 due to a lack of financial knowledge. Marketwatch estimates that, as a nation, our collective lack of financial knowledge costs us $200 billion annually!

## 10 GUIDELINES (AND A RUBRIC!) FOR EVALUATING A FINANCIAL LITERACY PROGRAM

If ever there were a subject begging to be taught in our schools, it would be financial literacy. In fact, state legislators and the federal government have begun to sound the alarm. The U.S. Department of the Treasury, through the Financial Literacy and Education Commission (FLEC), is heavily promoting financial education. Hawaii, Illinois, New York, and Rhode Island added financial literacy to their academic standards. Seventeen states now require a financial literacy course be taught in high school. Several others require the subject to at least, be offered.

As financial education gains ground, principals and administrators are faced with the task of either designing a curriculum for their students or selecting a commercially available one. How can you separate a good financial education program from a not-so-good one? What are some guidelines for designing a course, or evaluating a proposed curriculum? Here are ten guidelines to help you evaluate a

financial education program to decide whether it's right for your students.

### 1. IS IT A DEDICATED CURRICULUM?

Personal finance isn't an economics course, nor is it an accounting or business course. For reasons of expediency however, personal finance is often wedged awkwardly into econ, business, or accounting courses between topics like LIFO and FIFO, LLCs and balance sheets. The message to students? "It's better than nothing!" Not the message we should be sending about a subject that is absolutely essential to their ability to live and thrive in the modern world. Financial literacy is a unique subject so important to students' futures that it is deserving of its own academic identity, dedicated instructional time and materials. If your school or district's approach to financial education is to teach it as a unit within or appendage to another tangentially related subject, it may be time to rethink your goals.

### 2. IS THE CURRICULUM COMPREHENSIVE?

Essentially, a financial education course is a course in "adulting". Adult encounters with money are far more than banking, credit, and insurance Nevertheless, many financial literacy programs never move beyond these three topics, with the occasional dalliance into budgeting. What should a comprehensive financial literacy curriculum include? Think about your own life as an adult You've dealt with salary and compensation issues, income taxes, employee benefits, retirement projections, 401Ks, IRAs, saving and investing, renting a home, buying a home, and much more. These are precisely the kind of adult money issues your students will encounter in the not-too-distant future. A curriculum that overlooks these important topics won't get the job done. Beware of programs that devote an excessive amount time and materials to student debt. An important topic, no doubt, but your students will have other and better opportunities to learn about student debt during the college application and financial aid process. Take a pass on any course that limits instruction to banking, credit, and insurance, or devotes too much of the resource to student debt.

### 3. ARE THE OBJECTIVES 21ST CENTURY-RELEVANT?

Your GenZ students' financial futures are, well, futuristic. They include things like online-only banks, virtual currency, round up apps, the gig economy, freelancing, non-spousal joint debt, and working for a multinational company, just to name a few. Your students also face challenges that are unique to the 21st century. These include an unstable Social Security fund, high levels of student debt, declining homeownership levels, and longer life expectancies which require greater retirement savings. In other words, financial education is *age-sensitive*. GenZ students need authentic objectives designed to meet their 21st century personal finance and money management needs. As an instructional designer, I have come across financial programs with painfully irrelevant objectives. How about a program designed by a bank (which shall go unnamed) that had students reconciling a teller's end-of-the-day cash drawer? I have encountered programs that spend a full class period teaching students how to write a check. Does the fact that less than 3% of consumers (mostly seniors) pay by check convince you that this objective is a waste of time? A program that teaches soon to-be obsolete skills, or a curriculum carved out of a program for mid-career workers or retirees is not going to work without massive revisions. When evaluating financial education objectives, think future forward. Pass on dated or generation inappropriate programs.


### 4. IS THERE A HIDDEN AGENDA?

There has been a surge in free financial literacy programs provided or sponsored by financial institutions. Ironically, even Visa and Mastercard, leading peddlers of consumer credit, have gotten into the free curriculum game. We all love free stuff, but banks, credit unions, credit card companies, and other financial institutions are not charities or benevolent organizations. Allowing a bank or credit card company to teach your students financial literacy is a little like following a diet from a donut shop. In fact, even the American Banker in *How the Right K-12 Financial Literacy Education Can Serve the Public and Market Your Bank,* admits that 14 of 17 of the top benefits of bank-provided financial literacy programs go to the institution, not the student. What to watch for when evaluating curriculum created or sponsored by a financial institution? Subtle product marketing, company branding, and content or activties that promote customer development or loyalty. George Washington University professor of economics and author — Annamaria Lusardi, cautions us that skepticism of the financial industry and their products is always warranted. Students should know, for example, that banks are profit-seeking institutions which make plenty of money, much of which is derived from fees and penalties charged to customers — which can be exorbitant. Students should also know that some financial institutions sell credit like candy with sweet promotional deals to lure customers into debt. They should know that financial institutions are partly responsible for the record levels of consumer debt in the U.S. and own a share of the responsibility for the near Armageddon-level meltdown of the global economy in 2008. Free is great, but free programs may come with conflicts of interest and credibility issues. Evaluate accordingly.

### 5. IS THE CURRICULUM LIGHT ON THE FUNDAMENTALS?

Financial literacy is a life skill. Life skills programs often move too quickly to the "fun" practice activity, shorting students on instruction. Jumping into the activity may be an effective instructional method for some subjects, but it is not a good way to teach financial literacy. For students to reap the benefits of the practice activity, they must have a strong foundation in the personal finance terms and concepts that are tied to the objectives of the activity. Students must also have an opportunity to reflect and project how this new knowledge connects to their futures. For example, many programs pivot directly to a stock market game, overlooking the importance of knowing a little about the history of the stock market, how and why stock is issued, what an IPO is, the differences between common and preferred shares, how securities markets fit into the global financial scheme, and why stocks are part of a balanced investment portfolio. Without a solid foundation in basic terms and concepts, students may enjoy the activity, but they won't learn much, and what they do learn, they probably won't remember. A financial literacy curriculum should have an effective balance between instruction, practice, and reflection.

### 6. IS THE CURRICULUM BLENDED?

In case you haven't noticed, our world is all about money: making it, owing it, saving it, owing it, investing it, owing it, spending it, owing it... Thanks to that general obsession with the green stuff, there is an abundance of online resources to supplement students' learning. This is wonderful because a unique challenge of a financial literacy curriculum is that it must work on two levels: it must teach students the principles and skills of personal finance *and* inspire them to carry the knowledge and skills into their future. When evaluating a curriculum, look for it to connect your students' learning experiences with effective digital resources that help them master personal finance concepts and stay on the path to financial security for their lifetime. For example, a lesson on credit should include an exploration of credit scores and credit gardening with FICO.com. A lesson about managing credit card debt should introduce students to creditcard.com. If an entrepreneurship and innovation curriculum doesn't require some screen time with Bloomberg West or the Consumer Electronics Show, it may not be worth the bandwidth or paper it's occupying.

### 7. DOES THE CURRICULUM INTRODUCE STUDENTS TO MONETARY POLICY ISSUES AND INSTITUTIONS?

Financial literacy is far more than personal finance and money management. To be truly financially literate, students should have some familiarity with issues that drive monetary policy and the institutions that shape domestic and global commerce and economics. A good financial literacy program will provide students with opportunities and activities to learn about the basic roles and goals of the Federal Reserve Bank, IMF, World Bank, WTO, SEC, USPTO, G7, G20, and Eurozone, just to name a few.

It is equally important to introduce students to some of the economic issues and controversies that are likely to shape their financial futures, such as the Social Security controversy, identity theft and cyber-security, the gender pay gap, the Balanced Budget Amendment, virtual currency, tax reform, and income inequality. These issues are likely to stick around for many years, impacting their economic futures, so having at least a cocktail party conversation level of familiarity is important.

### 8. DOES THE CURRICULUM CONVERT STUDENTS INTO TRUE BELIEVERS?

Students often start a personal finance course with a fixed financial mindset. *Aren't personal finance and money management subjects for rich people? Why should they learn about money when they're young, still in school, and not even earning a paycheck?* A good curriculum dispels these mindsets and converts students into true believers in the purpose and value of understanding money. Students should come away from a financial literacy course convinced that everyone, from every walk of life, needs and deserves to be financially literate. They must understand that they are in fact, *entitled* to this knowledge. Everyone has the right to know how to make informed financial decisions. Everyone has the right to be able to protect themselves from soul-crushing debt. Everyone has the right to know how to create a path to financial stability. If a financial education program does not create true believers in the relevance of financial education and the right of all people to be financially literate, it comes up short.

### 9. DOES THE CURRICULUM ARTICULATE THE DEEPER VALUE OF WEALTH?

*The opposite of poverty is not wealth. It is justice.*

— Leonardo Boff,
Brazilian theologian and writer

Ask students what wealth means to them and they might say something like "owning a nice home" or "having lots of money in the bank." Wealth, however, is more than the ownership of assets. There are other less tangible but perhaps even more important aspects to wealth: As we all know, wealth is *power*. It is the ability to be heard and to influence. No one knows this better than someone living an isolating and powerless life of poverty. Wealth is *access*. We're not talking access to private jets or exclusive clubs. We're talking *social mobility*. Wealth is the ticket to living in a better, safer neighborhood, a good education, health care, and other quality of life items. Wealth means the ability to sleep at night not worried that an even minor financial crisis could spell disaster for you and your family. Sadly, in the last few years we've also come to see that, in the U.S., disparities in wealth can lead to vastly different outcomes in the justice system. So yes, wealth is *justice*. A good financial literacy program changes students' relationships with money and their perceptions of wealth. A financial literacy curriculum that is too "income-centric" misses communicating to students the deeper value and meaning of wealth.

### 10. IS THE CURRICULUM EASY TO TEACH?

In a 2016 survey by Price Waterhouse Cooper, 92 percent of K-12 teachers surveyed said they believed financial education should be taught in school. What the survey also revealed was that one of the primary reasons financial literacy is not as embraced as it should be by our schools is because teachers feel they lack competency in the subject. Anand Marri, an associate professor of social studies and education at Teachers College, Columbia University and Vice President at the Federal Reserve Bank of New York, believes that much of their reluctance is based on a fear and misconception that teaching financial literacy is about numeracy and economics.[1] It is not. A good financial literacy curriculum is not complicated. It focuses on real life scenarios — not formulas and economic projections, and can be easily mastered and communicated to students in the classroom.

1 Zubrzycki, Jackie. "When It Comes to Financial Literacy Curricula, Buyer Beware." Education Week - Curriculum Matters. N.p., 27 Apr. 2016. Web. 11 June 2017

## RUBRIC READY

For a downloadable copy of our 10 point rubric **Components of a Quality Financial Literacy Curriculum** and loads of other resources to help you be the best financial educator you can be, go to **www.financialliteracylessons.com**.

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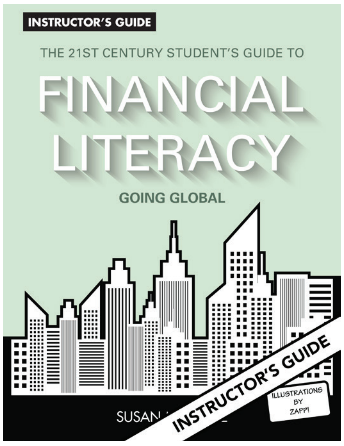


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Instructor's Guide – $71.50
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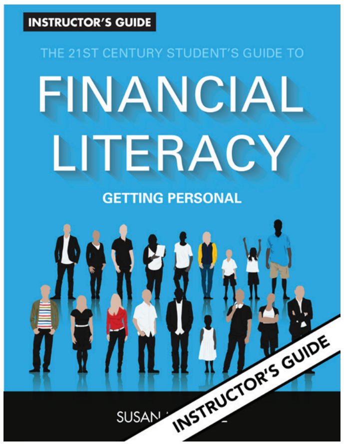


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Student Workbook – $15.95
398 pages, spiral bind,
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Instructor's Guide – $71.50
366 pages, spiral bind,
black & white interior

E-preview at
www.financialliteracylessons.com



**A proud member of the Jump$tart Coalition for Personal Financial Literacy**

## WHAT'S ON THE CALENDAR?

October/November 2017: Apps, apps, apps! **The Financial Literacy Teacher** explores 8 awesome apps and a couple of websites teachers can turn students on to for amping up financial literacy.

October 5-7, 2017 **Council for Economic Education 56th Annual Conference** in Brooklyn, New York. Join us Oct. 7 at 11:10am in the Foyer Area for Susan Mulcaire's presentation **The Reluctant Financial Literacy Teacher**.

November 3-5, 2017 **Jump$tart National Educator Conference**, Renaissance Washington D.C. Downtown; Exhibiting

## WIN WIN WIN!

### TAKE THE FINANCIAL LITERACY TEACHER'S CHALLENGE

Budget? Curriculum? Instructional time? Lack of confidence? What's the biggest challenge you face teaching financial literacy? Send your comments to financialliteracylessons@gmail.com and be entered to win a classroom set (Student Workbook & Instructor's Guide) **The 21st Century Student's Guide to Financial Literacy**. We'll share comments (by initials only) in our next newsletter.

## THE FINANCIAL LITERACY TEACHER

Susan Mulcaire, aka The Financial Literacy Teacher, is a banking attorney turned teacher. She is the president of c21 Student Resources and author of **The 21st Century Student's Guide to Financial Literacy — Getting Personal** and **The 21st Century Student's Guide to Financial Literacy — Going Global**, financial literacy programs for grades 7–12.